

**Henry McMorran Memorial
Auditorium Authority
City of Port Huron, Michigan**

**Financial Report
June 30, 2008**

Henry McMorran Memorial Auditorium Authority

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Independent Auditor's Report

To the Honorable Commissioners
Henry McMorran Memorial Auditorium Authority

We have audited the accompanying basic financial statements of Henry McMorran Memorial Auditorium Authority, a component unit of the City of Port Huron, Michigan, as of June 30, 2008 and 2007 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of Henry McMorran Memorial Auditorium Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Henry McMorran Memorial Auditorium Authority as of June 30, 2008 and 2007 and the changes in financial position, including cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

December 1, 2008

Henry McMorran Memorial Auditorium Authority

Management's Discussion and Analysis

Our discussion and analysis of Henry McMorran Memorial Auditorium Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report consists of two parts: management's discussion and analysis (this section), and the basic financial statements. The basic financial statements are presented on a full accrual basis, which provides both long- and short-term information about the Authority's overall financial status.

Authority as a Whole

The following table shows the net assets of the Authority in a condensed format as of June 30, 2008 compared to the previous year (in thousands of dollars):

TABLE I

	2008	2007	2006	Change from Prior Year
Assets				
Current assets	\$ 200	\$ 113	\$ 49	\$ 87
Restricted assets	201	265	557	(64)
Noncurrent assets	<u>2,106</u>	<u>2,523</u>	<u>2,666</u>	<u>(417)</u>
Total assets	2,507	2,901	3,272	(394)
Liabilities				
Current liabilities	401	318	267	83
Deferred revenue	<u>201</u>	<u>266</u>	<u>558</u>	<u>(65)</u>
Total liabilities	<u>602</u>	<u>584</u>	<u>825</u>	<u>18</u>
Net Assets				
Invested in capital assets - Net of related debt	2,106	2,523	2,666	(417)
Unrestricted deficit	<u>(201)</u>	<u>(206)</u>	<u>(219)</u>	<u>5</u>
Total net assets	<u>\$ 1,905</u>	<u>\$ 2,317</u>	<u>\$ 2,447</u>	<u>\$ (412)</u>

Henry McMorran Memorial Auditorium Authority

Management's Discussion and Analysis

The following table shows the revenue and expense changes in net assets (in thousands of dollars) as of June 30, 2008 compared to the previous year:

TABLE 2

	2008	2007	2006	Change from Prior Year
Revenue				
Facility rental	\$ 700	\$ 753	\$ 778	\$ (53)
Sales	784	908	879	(124)
Surcharges	42	63	66	(21)
Total operating revenue	1,526	1,724	1,723	(198)
Appropriations from the City of Port Huron	335	335	335	-
Capital contributions	73	308	569	(235)
Interest	3	7	4	(4)
Total revenue	1,937	2,374	2,631	(437)
Program Expenses				
Salaries and benefits	961	1,079	1,061	(118)
Cost of sales	148	173	179	(25)
Utilities	344	345	350	(1)
Repair, maintenance, and other	406	456	558	(50)
Depreciation	490	451	422	39
Total program expenses	2,349	2,504	2,570	(155)
Change in Net Assets	\$ (412)	\$ (130)	\$ 61	\$ (282)

The Authority's operating revenue from rental, sales, and other was approximately \$1,526,000 which was an approximately \$198,000 decrease from prior year. In addition, approximately \$73,000 in capital contributions and \$335,000 in an appropriation from the City of Port Huron, Michigan (the "City") resulted in total revenues of approximately \$1,937,000. The Authority's operating expenses of approximately \$2,349,000, which includes approximately \$490,000 in depreciation, resulted in a decrease in net assets of approximately \$412,000. The Authority's unrestricted net deficit decreased approximately \$5,000 from the prior year. However, current year depreciation exceeded capital contributions by approximately \$417,000, resulting in a net decrease of approximately \$412,000 in the Authority's total net assets.

Henry McMorran Memorial Auditorium Authority

Management's Discussion and Analysis

Capital Assets

At June 30, 2008, the Authority had approximately \$2,106,000 invested in a range of capital assets, including furniture, equipment, and facilities. Current year acquisitions of approximately \$73,000 include replacement of exterior auditorium doors and replacement of fountain and ice-rink pumping equipment. These expenditures were made with restricted funds received from a State of Michigan appropriation in 1999.

Budgetary Highlights

Over the course of the year, the budgeted revenues were down \$174,000 from lower rentals, promotions, concession sales, and parking due to less people in attendance at events. The budgeted expenses were down \$234,500 in part by lower employee salaries, benefits, contractual services, repairs, supplies, insurance, and utilities, resulting in a \$60,600 better than projected budgeted net operating loss.

Economic Factors

The Authority's articles of incorporation are set to expire on December 31, 2008. The City has not made a decision as to what option it will choose as the next step for the McMorran Place facility.

The current economy for the State of Michigan and St. Clair County is struggling; as a result a hardship has fallen on both city and county residents. Declining attendance, participation, and the use of the McMorran Place facility are expected to affect the decreases in revenue for 2009. These factors were considered in preparing the Authority's budget for the 2008/2009 fiscal year.

Contacting the Authority's Management

This financial report is intended to provide the Authority's board of commissioners with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the Authority's administration at 701 McMorran Blvd., Port Huron, MI 48060.

Henry McMorran Memorial Auditorium Authority

Statement of Net Assets

	June 30	
	2008	2007
Assets		
Current assets:		
Cash (Note 2)	\$ 133,215	\$ 75,398
Accounts receivable (Note 1)	45,258	20,181
Interest receivable	83	319
Inventories	8,210	8,875
Prepaid and other	13,584	7,726
Total current assets	200,350	112,499
Restricted assets (Note 3)	200,677	265,487
Property and equipment - Net (Note 5)	2,106,357	2,523,270
Total assets	2,507,384	2,901,256
Liabilities		
Current liabilities:		
Accounts payable:		
Trade	148,345	124,560
Related party	80,055	37,725
Accrued payroll and related taxes	124,688	111,426
Other liabilities	48,510	44,582
Total current liabilities	401,598	318,293
Unearned revenue (Note 6)	200,677	265,487
Total liabilities	602,275	583,780
Net Assets		
Invested in capital assets - Net of related debt	2,106,357	2,523,270
Unrestricted deficit	(201,248)	(205,794)
Total net assets	<u><u>\$ 1,905,109</u></u>	<u><u>\$ 2,317,476</u></u>

Henry McMorran Memorial Auditorium Authority

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2008	2007
Operating Revenue		
Rental of facilities	\$ 699,541	\$ 752,882
Special attractions and promotions	68,109	68,479
Canteen sales	289,617	351,637
Alcohol sales	137,154	164,334
Parking lot	249,173	259,370
Surcharges	41,690	62,663
Catering and other	40,689	64,243
Total operating revenue	1,525,973	1,723,608
Operating Expenses		
Salaries and wages - Net of reimbursement	675,875	784,974
Employee benefits and payroll taxes	285,666	294,257
Cost of sales - Canteen and alcohol	147,642	172,667
Utilities	344,251	345,400
Repairs, maintenance, and other	406,162	455,507
Provision for depreciation	489,995	450,795
Total operating expenses	2,349,591	2,503,600
Loss from Operations	(823,618)	(779,992)
Nonoperating Revenue		
Appropriation from the City of Port Huron	335,000	335,000
Gain on sale of assets	-	400
Interest income	3,169	6,509
Total nonoperating revenue	338,169	341,909
Loss - Before capital contributions	(485,449)	(438,083)
Capital Contributions - From assets constructed with grants or donated from outside sources	73,082	308,443
Net Loss	(412,367)	(129,640)
Net Assets - Beginning of year	2,317,476	2,447,116
Net Assets - End of year	<u>\$ 1,905,109</u>	<u>\$ 2,317,476</u>

Henry McMorran Memorial Auditorium Authority

Statement of Cash Flows

	Year Ended June 30	
	2008	2007
Cash Flows from Operating Activities		
Receipts from customers	\$ 1,500,896	\$ 1,722,231
Payments to suppliers	(833,205)	(924,960)
Payments to employees	(948,279)	(1,074,042)
Net cash used in operating activities	(280,588)	(276,771)
Cash Flows from Noncapital Financing Activities - Appropriation from the City of Port Huron	335,000	335,000
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(73,082)	(308,443)
Sale of capital assets	-	400
Funds received from Seeing Stars program and other donations	-	300
Net cash used in capital and related financing activities	(73,082)	(307,743)
Cash Flows from Investing Activities - Interest received on investments	11,677	25,484
Net Decrease in Cash	(6,993)	(224,030)
Cash - Beginning of year	339,885	563,915
Cash - End of year	<u>\$ 332,892</u>	<u>\$ 339,885</u>
Balance Sheet Classification of Cash		
Current assets - Cash	\$ 133,215	\$ 75,398
Restricted assets - Cash	199,677	264,487
Total balance sheet classification of cash	<u>\$ 332,892</u>	<u>\$ 339,885</u>
Reconciliation of Loss from Operations to Net Cash from Operating Activities		
Loss from operations	\$ (823,618)	\$ (779,992)
Adjustments to reconcile loss from operations to net cash from operating activities:		
Depreciation	489,995	450,795
Changes in assets and liabilities:		
Increase in receivables	(25,077)	(1,377)
Decrease in inventories	665	2,939
Increase in prepaid and other	(5,858)	(115)
Increase in accounts payable	66,115	97,245
Increase in accrued payroll	13,262	5,189
Increase (decrease) in other current liabilities	3,928	(51,455)
Net cash used in operating activities	<u>\$ (280,588)</u>	<u>\$ (276,771)</u>

Noncash Investing, Capital, and Financing Activities - During the years ended June 30, 2008 and 2007, there were no noncash investing, capital, or financing activities.

Henry McMorran Memorial Auditorium Authority

Notes to Financial Statements June 30, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies

Henry McMorran Memorial Auditorium Authority (the "Authority"), a nonprofit municipal corporation, was organized on August 13, 1956 for the purpose of acquiring, furnishing, equipping, owning, improving, enlarging, operating, and/or maintaining a civic auditorium and sports arena. The Authority, which was incorporated under the provisions of Act 31, Public Acts of Michigan, 1948, as amended, is a nonprofit corporation and, accordingly, is exempt from income taxes.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity - The Authority has been identified as a component unit of the City of Port Huron (the "City"). GASB Statement No. 14 defines a component unit to include those governmental organizations that are fiscally dependent on the primary government.

The Authority has exclusive jurisdiction over the control, operation, and maintenance of the facilities. The City of Port Huron has contractually assumed responsibility to reimburse the Authority for any excess of operating expenses over revenue received from operations and will be responsible for necessary capital improvements, furnishings, and equipment. There is no time limitation on the financial responsibilities of the City.

The agreement with the City also provides that the Authority shall pay any earnings from the operations of the facilities to the City.

Basis of Accounting - The accrual basis of accounting is used by Henry McMorran Memorial Auditorium Authority. The Authority follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989 to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to apply private sector standards issued after November 30, 1989.

Accounts Receivable - Accounts receivable are reported net of an allowance for doubtful accounts totaling \$2,400 for the years ended June 30, 2008 and 2007.

Inventories - Inventories are stated at the lower of cost or market on a specific identification basis.

Henry McMorran Memorial Auditorium Authority

Notes to Financial Statements June 30, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash Equivalents - The Authority considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Property and Equipment - Land upon which the facilities are located was donated to the Authority by the City of Port Huron. The facilities and original equipment were donated by a philanthropic organization. These properties are stated in the financial statements at the estimated fair value at the date of donation. Expenditures for improvements and equipment from funds derived from operations or City of Port Huron appropriations have been recorded at historical cost.

Depreciation of building, improvements, and equipment is provided over the estimated useful lives of the respective assets by the straight-line method. Contributed capital relating to donated fixed assets is being amortized to fund equity as the related depreciation is being charged to operations.

Unearned Revenue - Unearned revenue represents primarily the unexpended proceeds from the Seeing Stars program and a State of Michigan grant, which are not considered fully earned until the proceeds have been expended for the restricted purposes.

Fund Deficit - The Authority has an accumulated deficit of unrestricted net assets. Plans to eliminate the deficit have been filed with the State of Michigan Local Audit Finance Division.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Henry McMorran Memorial Auditorium Authority

Notes to Financial Statements June 30, 2008 and 2007

Note 2 - Deposits and Investments (Continued)

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments as listed above. The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. For the years ended June 30, 2008 and 2007, the Authority had \$139,750 and \$162,757, respectively, of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Restricted Assets

Restricted assets of the Authority have been restricted for the renovation and revitalization of the McMorran Place Auditorium and Main Arena.

Restricted assets at June 30, 2008 and 2007 consist of the following:

	2008	2007
Cash and cash equivalents	\$ 199,677	\$ 264,487
Other receivables	<u>1,000</u>	<u>1,000</u>
Total	<u>\$ 200,677</u>	<u>\$ 265,487</u>

Note 4 - Henry McMorran Memorial Auditorium Trust

The instrument governing the Henry McMorran Memorial Auditorium Trust (the "Trust"), held by the Community Foundation of St. Clair County (previously held by the City of Port Huron), provides that trust income be used for the preservation, repair, or replacement of the auditorium. There was no trust income distributed to the Authority during the years ended June 30, 2008 and 2007.

Henry McMorran Memorial Auditorium Authority

Notes to Financial Statements June 30, 2008 and 2007

Note 5 - Capital Assets

A summary of the Authority's capital assets activity for the years ended June 30, 2008 and 2007 is as follows:

	2006	Additions	Deletions	2007	Depreciable Life - Years
Land	\$ 25,000	\$ -	\$ -	\$ 25,000	N/A
Building and improvements	7,480,721	308,443	-	7,789,164	10-40
Equipment	<u>2,509,417</u>	<u>-</u>	<u>3,468</u>	<u>2,505,949</u>	10
Total capital assets	10,015,138	308,443	3,468	10,320,113	
Less accumulated depreciation	<u>(7,349,516)</u>	<u>(450,795)</u>	<u>(3,468)</u>	<u>(7,796,843)</u>	
Net capital assets	<u>\$ 2,665,622</u>	<u>\$ (142,352)</u>	<u>\$ -</u>	<u>\$ 2,523,270</u>	

	2007	Additions	Deletions	2008	Depreciable Life - Years
Land	\$ 25,000	\$ -	\$ -	\$ 25,000	N/A
Building and improvements	7,789,164	73,082	-	7,862,246	10-40
Equipment	<u>2,505,949</u>	<u>-</u>	<u>-</u>	<u>2,505,949</u>	10
Total capital assets	10,320,113	73,082	-	10,393,195	
Less accumulated depreciation	<u>(7,796,843)</u>	<u>(489,995)</u>	<u>-</u>	<u>(8,286,838)</u>	
Net capital assets	<u>\$ 2,523,270</u>	<u>\$ (416,913)</u>	<u>\$ -</u>	<u>\$ 2,106,357</u>	

Henry McMorran Memorial Auditorium Authority

Notes to Financial Statements June 30, 2008 and 2007

Note 6 - Changes in Unearned Revenue

The following is the activity in the unearned revenue accounts:

	State Grant	Seeing Stars	Total
Balance - June 30, 2006	\$ 535,986	\$ 21,443	\$ 557,429
Funds received from fund-raising campaign	-	300	300
Funds expended for capital improvements	(308,443)	-	(308,443)
Interest income - Restricted	15,345	856	16,201
Balance - June 30, 2007	242,888	22,599	265,487
Funds expended for capital improvements	(73,082)	-	(73,082)
Interest income - Restricted	7,501	771	8,272
Balance - June 30, 2008	<u>\$ 177,307</u>	<u>\$ 23,370</u>	<u>\$ 200,677</u>

Note 7 - Interest Income

The following is the interest income earned as of June 30, 2008 and 2007:

	Operating	State Grant	Seeing Stars	Total
Interest income - Operations	\$ 4,691	\$ 1,721	\$ 97	\$ 6,509
Interest income - Restricted	-	15,345	856	16,201
Total 2007	<u>\$ 4,691</u>	<u>\$ 17,066</u>	<u>\$ 953</u>	<u>\$ 22,710</u>
Interest income - Operations	\$ 3,082	\$ 81	\$ 6	\$ 3,169
Interest income - Restricted	-	7,501	771	8,272
Total 2008	<u>\$ 3,082</u>	<u>\$ 7,582</u>	<u>\$ 777</u>	<u>\$ 11,441</u>

The restricted interest income represents interest earned on contributions that have been restricted for a specific purpose; hence, such amounts have been recorded as deferred revenue.

Henry McMorran Memorial Auditorium Authority

Notes to Financial Statements June 30, 2008 and 2007

Note 8 - Employee Retirement System

All of the Authority's full-time employees participate in the Municipal Employees' Retirement System of Michigan (MERS), a multiemployer agent pension plan established by Act 427, Public Acts of 1984 of the State of Michigan. The Authority has 12 active participants whose total payroll was \$428,391 and \$504,970 for the years ended June 30, 2008 and 2007, respectively. The Authority's pension expense for the years ended June 30, 2008 and 2007 was \$41,784 and \$49,606, respectively.

The Authority met all actuarially determined employer contribution requirements for the years ended June 30, 2008 and 2007. Additional information regarding the plan's operation, significant actuarial assumptions, trend information, and funding status and progress can be found in the City of Port Huron's Comprehensive Annual Financial Report, of which the Authority is a component unit. The pension benefit obligation and net assets available for benefits for the Authority alone, separate from the plan as a whole, are not provided in the actuarial report.

Note 9 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of Port Huron has purchased commercial insurance for property damage, contractors' equipment, data processing, health care, and employee dishonesty, for which the Authority reimburses the City its portion of the premiums.

The Authority participates in the Michigan Municipal Risk Management Authority program for general, auto, professional, public officials, and errors and omissions liabilities. The Authority is uninsured for acts of god and environmental cleanup losses. Past experience indicates that the initial passthrough of premium charges by the City of Port Huron has been sufficient to cover the liabilities and settled claims under this program. Past experience also shows that, for the Authority, incurred but not reported claims have not been significant in amount. Further details of how the Michigan Municipal Risk Management Authority pool operates can be found in the City of Port Huron's Comprehensive Annual Financial Report, of which Henry McMorran Memorial Auditorium Authority is a component unit.

Note 10 - Postemployment Benefits

The Authority provides healthcare benefits to substantially all full-time employees upon retirement, in accordance with labor contracts. Currently, five retirees are eligible. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due. For the years ended June 30, 2008 and 2007, this amounted to approximately \$63,000 and \$44,000, respectively.

Henry McMorran Memorial Auditorium Authority

Notes to Financial Statements June 30, 2008 and 2007

Note 10 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 11 - Seeing Stars Pledge

In August 1999, an individual pledged to give the Authority's Seeing Stars campaign a \$500,000 donation restricted for auditorium renovations. The pledge stipulates that the donor will match all donations received by the Authority in the amount of \$10,000 or greater until the \$500,000 amount has been met. For the years ended June 30, 2008 and 2007, the cumulative amount received under this pledge was \$414,885.

**Henry McMorran Memorial
Auditorium Authority
City of Port Huron, Michigan**

**Report to the Authority
June 30, 2008**

To the Honorable Commissioners
Henry McMorran Memorial Auditorium Authority

We have recently completed our audit of the basic financial statements of Henry McMorran Memorial Auditorium Authority (the "Authority") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letters of increased audit communications and required audit communication:

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We are grateful for the opportunity to be of service to Henry McMorran Memorial Auditorium Authority. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

December 1, 2008

Report on Internal Control

December 1, 2008

To the Honorable Commissioners
Henry McMorran Memorial Auditorium Authority
701 McMorran Boulevard
Port Huron, Michigan 48060

Dear Commissioners:

Beginning with last year's audit, national auditing standards call for auditors to communicate additional matters to the governing body that may be useful in its oversight of the Authority's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that may have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of Henry McMorran Memorial Auditorium Authority as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal controls.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

Capital Asset Purchases through State Grant Funds - During the year ended June 30, 2008, the Authority purchased capital assets through the use of state grant funds received in prior years. Upon purchase of these capital assets, an increase to capital contributions and a decrease to unearned revenue should be recorded to reflect the use of restricted funds. During the audit, we proposed adjusting journal entries that have been posted to the Authority's books to record this activity.

We believe that the following deficiencies constitute significant deficiencies:

Depreciation Adjustments - During our audit testing, we identified a significant adjustment to accumulated depreciation as of June 30, 2008 in the amount of approximately \$24,000. This adjustment to depreciation expense and accumulated depreciation was recorded by the Authority.

Credit Card Policy - Credit cards are used by the Authority as a matter of convenience to make small purchases. The use of credit cards can have a positive effect on internal control because it limits the number of transactions that would otherwise be handled in cash. However, because of the relative ease for which credit cards could be used for unauthorized purchases, State law (P.A. 266 of 1995) requires that a policy be adopted by the Authority that governs the use of credit cards by Authority employees. The policy is required to include provisions covering the employees responsible for monitoring credit card use and compliance with the Authority's policies; minimum documentation guidelines for purchases made with credit cards; and for the establishment of internal controls to monitor the use of credit cards. It is our understanding that the Authority has not adopted a policy governing the use of credit cards. We recommend that such a policy be adopted in order to comply with state law.

To the Honorable Commissioners
Henry McMorran Memorial Auditorium Authority

December 1, 2008

This communication is intended solely for the information and use of management, the commissioners, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in dark ink, appearing to read "Mark R. Hurst", with a stylized flourish at the end.

Mark R. Hurst

A handwritten signature in dark ink, appearing to read "Melissa L. Desmarais", with a stylized flourish at the end.

Melissa L. Desmarais

Results of the Audit

December 1, 2008

To the Honorable Commissioners
Henry McMorran Memorial Auditorium Authority

We have audited the financial statements of Henry McMorran Memorial Auditorium Authority for the year ended June 30, 2008 and have issued our report thereon dated December 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 14, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Authority. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 2, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Henry McMorran Memorial Auditorium Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatement

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: correction of depreciation expense, accumulated depreciation, unearned revenue, and capital contributions. In addition, all other misstatements detected as a result of audit procedures and corrected by management were immaterial, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated December 1, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

December 1, 2008

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement. Issues of concern are discussed in the report on internal controls.

Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the Authority's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents.

This information is intended solely for the use of the Commissioners and management of Henry McMorran Memorial Auditorium Authority and the City of Port Huron and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Mark R. Hurst", with a stylized flourish at the end.

Mark R. Hurst

A handwritten signature in black ink, appearing to read "Melissa L. Desmarais", written in a cursive style.

Melissa L. Desmarais